

21 July 1981

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Director, Office of Policy and Planning

FROM:
Chief, Interdepartmental Affairs Staff

SUBJECT: National Security Planning Group Meeting -
22 July 1981

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1. The meeting is being held to make decisions on two issues:

--Extension of the US-USSR Long-term Agreement on Grain Trade (LTA).

--Extension of about \$60 million to Poland on easy credit terms for purchase of corn.

An option paper prepared by the NSC staff is at Tab A. It is short and clear; I recommend you skim the highlighted portions.

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2. With regard to the grain agreement, I recommend that you make the following points:

--The current LTA has served US interests by stabilizing the market and ensuring substantial minimum sales levels that US farmers can plan on. These original arguments in favor of a long-term agreement still obtain.

--It is in the US interest to keep the USSR on the hook for sizable annual grain purchases as long as we retain the freedom to alter our sales policy should Soviet behavior dictate. To provide guarantees against a future embargo would significantly undercut our potential leverage. As Hans Heymann notes in his memorandum to you (Tab B), the Soviets are likely to insist on guarantees and have the option of resorting to open market purchases or non-US sources if negotiations fall through. On balance, however, I think that our going-in position should be not to offer guarantees.

--We should favor increasing the purchase levels to ensure that the US retains a sizable share of the Soviet market, to maximize returns to US farmers, and to slow Soviet development of alternative sources. In return for our willingness

to increase levels, however, we should press the Soviets to buy at premium prices and should link the LTA to a maritime agreement that provides for shipping a major portion of the grain in US bottoms.

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3. On the surface, this recommendation seems to run counter to the Administration's East-West trade policy and the position you took on the Siberian pipeline issue, but there are two important differences:

--There are domestic pressures that cannot be ignored -- the same domestic considerations that influenced the ending of the grain embargo will necessarily influence the LTA extension.

--The COCOM countries are the only source of large-diameter pipe and other equipment for the pipeline, but the USSR has readily available alternative sources of grain. If we do not stay in the Soviet market we will lose, rather than gain, leverage.

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4. I recommend that you support the proposed credits to Poland, in line with the view you set forth in a 15 July memorandum to the President (Tab D). You argued in that memorandum, however, that assistance to Poland should be handled cautiously. You might caution the Group that this decision should not be considered a precedent for future credits. These should be handled on a case-by-case basis, taking into account Polish self-help measures and European and Soviet willingness to shoulder their part of the burden of keeping Poland afloat.

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National Security Planning Group Meeting

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- A. Options Paper
- B. Briefing Memorandum from NIO/USSR-EE
- C. US-USSR Grain Agreement
- D. Memorandum to the President on Poland dated 15 July 1981

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